UNITED
NATIONS

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Security Council

Distr.
GENERAL

S/1998/928
7 October 1998
ENGLISH
ORIGINAL: ARABIC

LETTER DATED 6 OCTOBER 1998 FROM THE PERMANENT REPRESENTATIVE OF IRAQ TO THE UNITED NATIONS ADDRESSED TO THE SECRETARY-GENERAL

On instructions from my Government, I have the honour to transmit to you herewith a letter dated 6 October 1998 from Mr. Mohammed Said Al-Sahaf, Minister for Foreign Affairs of Iraq, concerning the status of contracts under the memorandum of understanding.

I should be grateful if you would have the present letter and its annex circulated as a document of the Security Council

(Signed) Nizar HAMDOON
Ambassador
Permanent Representative

Annex

Letter dated 6 October 1998 from the Minister for Foreign Affairs of Iraq addressed to the Secretary-General

More than four months after the start of phase IV under the memorandum of understanding of 20 May 1996 between Iraq and the Secretariat of the United Nations on the oil-for-food formula, practical experience of the processing the phase IV contracts for basic humanitarian needs of all kinds confirms the extent to which the representatives of the United States and the United Kingdom in the 661 Committee are raising difficulties and obstacles to the sound and proper handling of such contracts. As a result, there have been major problems in securing the goods contracted for, and these have had adverse repercussions on the implementation of the terms of the memorandum of understanding and have robbed it of its humanitarian substance by preventing Iraqis from obtaining their basic needs, particularly in terms of food and medicine, thus causing thousands of deaths on a monthly basis.

The difficulties encountered in completing the circulation procedures for phase IV contracts are an extension of the obstacles raised to the processing of contracts for the three previous phases by the representatives of the United States and the United Kingdom in the Committee. Some contracts have yet to be fulfilled despite the fact that the period of time allocated for the phase in question has expired, all of them contracts for urgently needed humanitarian supplies included in the categorized lists annexed to the procurement and distribution plans approved by you for each of the phases of implementation under the memorandum of understanding.

Any observer can easily ascertain that contracts are placed on hold by the United States and United Kingdom representatives in the 661 Committee without there being any legal or technical basis for doing so. This is done on the basis of political considerations that are inimical to the people of Iraq and its national Government and are incompatible with the terms of the memorandum of understanding. Such hostile attitudes have dogged the implementation of the memorandum all the way from phase I to phase IV.

There are four phase I contracts, worth a total of 1.5 million dollars, on which a decision has yet to be made although this phase ended more than a year and a half ago. There are still 19 phase II contracts on hold with a total value of 12.2 million dollars; and 20 phase III contracts worth 25.5 million dollars are still pending although more than four months have elapsed since that phase ended. The contracts that are on hold include: four for foodstuffs; six for drugs and medical supplies; seven for spare parts for the electricity sector; two for educational supplies; and one for drinking-water treatment and sanitation supplies.

In connection with phase III, it has not only been a question of the obstacles raised by the United States and United Kingdom representatives in the 661 Committee to the approval of purchase orders, but there are also more than 50 other phase III contracts with a total value of some 74 million dollars for which the necessary financial backing is still awaited. The reason for this is

the dilatoriness of the United Nations mechanisms for reimbursing the 53 per cent account pertaining to the other governorates of Iraq for the cost of the food and medicine supplied to the three northern governorates (Irbil, Dohuk and Sulaymaniyah) from the 13 per cent account set aside for those governorates.

Despite the vital importance of the latter subject, it has yet to be addressed despite our constant urging that there is a need to remedy a situation that is making it impossible for Iraq to use the sums in question to back letters of credit for contracts that are ready. In another respect, the interests of the exporters involved in such contracts have been adversely affected and some have begun to renege on their contractual obligations or to demand revision of the prices agreed upon in the light of subsequent price changes in international markets for certain items.

The fate of phase IV contracts has been no better than that of contracts in previous phases. Thirty-one of them have been placed on hold, as follows:

Six, in the agricultural sector, for such items as sprayers, veterinary supplies, piping, tractors and spare parts;

Four in the food sector;

Five for the requirements of the food processing and distribution sector, mostly in the context of the ancillary food-supply services, including vehicles and spare parts for vehicles and for the railways;

Four for drugs and medical supplies;

Three in the education sector, for the importation of basic teaching equipment and supplies;

Two for irrigation supplies;

Two for drinking-water treatment and sanitation supplies;

Five, in the electricity sector, for spare parts and supplies for the renovation of electric power plants.

The last-mentioned category includes one contract for the renovation of the Nasiriyah electricity station at a cost of 70.5 million dollars and another for 75 million dollars, but they were placed on hold on the grounds that the necessary funds were are not available in the Iraq Account. You are well aware of the importance this station has for Iraq's electricity sector, which is vital to the operation of facilities meeting humanitarian needs and especially of hospitals, water-pumping stations, water purification plants, and the like.

Furthermore, contracts relating to the protein enhancement included in the procurement and distribution plan for phase IV under the memorandum of understanding are still pending four months later and there has been no full protein distribution to all citizens because of the anti-Iraq role played by the United States and United Kingdom representatives in the 661 Committee.

Funds are not available in the Iraq Account essentially because of the obstacles raised by the representatives of the United States and the United Kingdom in the 661 Committee to the processing of contracts relating to the renovation of oil-related infrastructure. These contracts are for key requirements for the operation and maintenance of the oil-related infrastructure, and they were drawn up on the basis of your letter dated 15 April 1998 addressed to the President of the Security Council (S/1998/330 and Corr.1) and of Security Council resolution 1175 (1998). Only seven of the 127 contracts registered with the 661 Committee have received financial backing, and the Committee placed 41 contracts on hold because of the positions taken by the United States and United Kingdom representatives.

The obstruction of the processing of contracts for the supply of the spare parts and equipment necessary to enable Iraq to increase its exports of petroleum and petroleum products to an extent sufficient to produce the sum of 5.2 billion dollars mentioned in paragraph 2 of resolution 1153 (1998) and the fall in world oil prices have meant that Iraq is unable to realize the oil revenues required to pay for the items included in the procurement and distribution plan approved by you. As a result, it is impossible for it to meet the basic humanitarian needs of all the sectors covered by that plan. Despite your aforesaid letter addressed to the President of the Security Council and Security Council resolution 1175 (1998) on the supply of necessary spare parts and equipment to the oil sector after verification by a panel of experts, the United States and United Kingdom representatives have not altered their hostile practice of obstructing the implementation of the memorandum of understanding and of dealing with this as with all the other provisions of the memorandum on the basis of their well-known hostile political motives, without any other consideration and unrestrained by human conscience. The spare parts that it had been agreed would be delivered within one month of the memorandum concerning oil were intended to make it possible for Iraq to pump the necessary quantities of oil. More than four months have passed since then, none of the spare parts have arrived, and most of the contracts concluded have been placed on hold by the United States and United Kingdom representatives in the 661 Committee. The obstacles and impediments that continue to be raised to the memorandum of understanding are proof of the persistence of the United States and United Kingdom administrations, in particular, in harming the people of Iraq and exposing it to disease and death.

In writing you this letter, I am confident that you and your aides shall spare no effort in monitoring the implementation of the memorandum of understanding and of the processing of the contracts relating to the procurement and distribution plans for each of its four phases and of those for the supply of the equipment necessary for the renovation of oil-related infrastructure. The latter constitutes a basic factor for increasing the resources that become available under the memorandum in order to meet the urgent humanitarian needs of Iraqis, who have for more than eight years now been suffering under an unjust blanket embargo that causes further deaths and increased suffering every day.

(Signed) Mohammad Said AL-SAHAF
Minister for Foreign Affairs of Iraq